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Fawcett, Craig R.; Skelton, Stuart A.

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A COMPARATIVE ANALYSIS BETWEEN RETENTION
OF JUNIOR OFFICERS IN THE NAVY AND OF
JUNIOR EXECUTIVES IN INDUSTRY

CRAIG R. FAWCETT
and
STUART A. SKELTON

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OF JUNIOR OFFICERS IN THE NAVY AND OF
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by

Craig R. Fawcett

Lieutenant Commander, United States Navy

and

Stuart A. Skelton

Lieutenant Commander, United States Navy

Submitted in partial fulfillment of
the requirements for the degree of

MASTER OF SCIENCE

IN

MANAGEMENT

United States Naval Postgraduate School
Monterey, California

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VP: Andrew
Pb:
Fausett, C.

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ABSTRACT

The retention of well trained and qualified junior officers in the United States Navy has long been a serious problem that is becoming more acute every day. This study compares certain relevant factors of both the navy and industry that affect retention of officers and junior executives alike. It analyzes the problems confronting young men about to select a career in either the navy or industry, with the hope that it can make sound recommendations on how to increase the retention rate in the navy. The appendix contains an analysis of an entirely new and radical approach to induce young officers to seek a career as a naval officer.

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CHAPTER I

INTRODUCTION

Down through the history of the American Republic, the supremacy of civilian government over the military has been repeatedly stated. The Constitution itself provides safeguards and thus reflects the founding father's fears of military takeover in government. That the military shall be subordinate to the civilian executive is a tenant as jealously guarded as the Bill of Rights. Argument for sublimation of military professionalism during peacetime and ascendancy during periods of national emergency follows easily. Traditionally, the Armed Forces were held at the very minimal strengths in peace and swelled with full mobilization for war when all constituencies had considerable human resources invested. The result was an alternating national opinion regarding the social status ascribed to the man in uniform - high when the percent of populace human resource investment was high, and conversely. Ostensibly, the reasoning behind such undulation is the presence or absence of patriotic purpose ennobled during periods of national threat.

Today the advancement of science and technology has altered the mechanism of the military mission. The nature of the threat to national security will no longer allow time for full mobilization and upgrading of military skills - this in spite of the country's superior resources. The

advent of nuclear capability has made waging war relatively cheap. It is acknowledged that future threats must be met by our forces in being. It is therefore mandatory to henceforth maintain our Armed Forces at levels of sufficient professional resource to counter every threat, whether in the nature of "brush fire" wars or nuclear holocaust. This fact, the reality we face, is most germane to the issue of this paper.

Despite the severity of the "Cold War", we are in the trough of popular opinion regarding the military professional career. There will never again be sufficient time to alter public opinion regarding the accordance of status to the military professional. Undulating upward swings of opinion which ascribe status to the uniform are over and done with. Gross national investment of human resources in national defense is no longer likely under any circumstances.

Ever since the problem of retaining skilled individuals in uniform reared up, the history of effort expended to counter it is fairly analogous to a small boy with a pen knife "whittling" down a large redwood tree. All sorts of inducements have been rendered which appeared promising, such as offers of more or advanced training, choice of duty assignment, increased emphasis on individual and group morale, mandatory reenlistment interviews, habitability designs for berthing quarters, selective proficiency pay for critical specialties, leadership schools have sprung up, and the Services resorted to much advertising. A majority of these inducements

were couched in words which either stated outright or broadly hinted that acceptance also would equip one better for civilian life. In effect, much of the effort was contradictory. Emphasis was inappropriately placed. The Services were running "themselves" down - actually ascribing lesser status to the service as a full, honorable, and rewarding career, while enhancing the prospects of life as a civilian. Further, it is now "near-doctrine" in the Service that this is a "first career". That "doctrine," in essence, flatly denies the feasibility of a full career in the service of one's country, no matter the individual's qualifications.

What level of military skill is required to meet any reasonable threat to our national security? Before any material action can be taken to counter the retention problem this question must be answered - and the response significantly affects the solution.

The First Alternative: If it is concluded that in spite of the existing problem we are achieving overall sufficient levels of military skills, at a cost we can bear, then we must conclude that there is no retention problem at all. In effect, we are then accepting the trade-off of higher military level of skill for other benefits. We are maximizing "bang for the buck" at a level we can live with. Messrs. Hitch and McKean in their book "Defense in the Nuclear Age" draw attention to the national benefits of military training by terming them "government investment in human resources" as a contributing means of maintaining a continuing acceptable

rate of rise in the GNP. As an example, they cite the training of pilots who later fly for commercial airlines, and the benefits of the G.I. Bill as they apply to the nation's total output. This view ignores the individual serviceman and the sacrifices he must make. But in the strict economic sense, that conclusion is dependent on the correct response to the question of whether or not our military skill level is adequate to meet the national threat in an age of accelerating science and technology. Minor inducements, barely effective, coupled with carefully timed minor incremental salary increases, even insufficient to keep up with the cost of living, can be geared to maintain the skill level "decided upon". The retention problem can thus be dismissed as a threat to our national security.

The Second Alternative: If it is concluded that the retention problem is inhibiting our ability to counter the threat to the national security successfully, then we shall endeavor to thoroughly research the problem and to make firm and logical recommendations to alleviate it.

It is already fact that one of the most important management problems facing the United States Navy today is the loss of qualified junior officers from the active duty forces. Therefore for the purposes of this paper we have selected the second alternative for this research study.

In this day of increasingly sophisticated weapons systems and the advanced state of technology there are greater and greater demands for a naval officer who is competent in both the technical and managerial functions. In order to maintain an officer corps at the desired level, both

quantitatively and qualitatively, it is imperative that the number of junior officers remaining on active duty beyond their obligated service be increased.

The low retention rate has several undesirable aspects which mold into a problem of major proportions. First, there is the simple requirement of manning the fleet with sufficient numbers of experienced officers to maintain the state of operational readiness required to meet national exigencies. Secondly, it is monetarily an expensive process to train officer candidates formally, then provide the necessary experience, only to lose their services to the civilian community. Thirdly, it is a compounding problem which stretches into the future and effects the navy of tomorrow to an even greater extent. The degree of selectivity for promotion to ranks of greater responsibility is reduced to a point where it cannot help but take its toll on the caliber of leadership in the future.

There is currently a shortage of experienced officers aboard surface ships. To alleviate the shortage, billets are being filled by officers of lower rank than desired. The number of officers promoted from the enlisted ranks without the benefit of a higher education has been increased. There are several disadvantages inherent to this policy. The lower ranking officer may lack the knowledge and experience necessary for the job. On the other hand, the officer brought up from the enlisted ranks generally has the technical knowledge, but he may be found lacking in the managerial aspects.

The Navy is certainly not the only organization faced with the problem of losing trained personnel. It is a problem which confronts every organization and particularly those with a high replacement cost due to an extensive training program.¹ The magnitude of the problem from the pure aspect of numbers is greater in the navy than in any particular corporation in private industry, but the same principles apply. Industry can analyze the cost effectiveness aspect more readily as it operates in a competitive environment and the profit motive is ever present. In spite of these differences, the need to retain qualified personnel faces every organization if it is to operate efficiently, and perhaps there are some lessons to be learned by examining other organizations. The Navy is forced to compete for effective manpower from the labor market and must utilize every means possible to be an able competitor.

PURPOSE

It is the purpose of this paper to present a comparative analysis between retention of junior officers and retention of junior executives within the Pacific Telephone and Telegraph Organization. Pacific Telephone was chosen for comparison because the organizational parameters more nearly approximate those of the Navy than do most other corporations. Pacific Telephone is a large company and a subsidiary of the huge Bell System. Managerial talent is almost exclusively recruited from college campuses and progresses up the chain of command. Promotion is almost entirely from

¹"Elite Recruiting Ground", Forbes, XCV (April 15, 1965), 16

within the organization with little or no transfer from other industries.

For these reasons it is believed that an analogy is much more meaningful than if taken from a cross-section of industry. It is specifically desired to determine the differences in retention figures, analyze the probable reasons for differences, and hopefully gain some insight into methods of improving retention.

There have been many studies conducted in the last few years in an effort to find methods for improving retention of naval personnel on active duty. The Secretary of the Navy has recently appointed a Retention Task Force for the purpose of studying both the enlisted and officer retention problems. Many of the statistics for this study were taken from computations gathered by the Secretary of the Navy's Retention Task Force. We have not found any studies which made a comparison with a specific corporation from private industry. Therefore, it is hoped that this study can uncover some areas which have not been examined in the past.

Statistics for this study have been derived mostly from primary source material. Statistics from within the Bureau of Naval Personnel and previous unpublished studies were used for information germane to the navy retention problem. Statistics on the Pacific Telephone and Telegraph Company were gathered by personal interview with executives within the personnel department, and from material published by Pacific Telephone.

SUMMARY CHAPTER I

The United States Navy loses a large percentage of its junior officers during the first few years of service at a high monetary expense and a resultant loss of quality in the more senior ranks. Retention of qualified personnel is a problem which every organization must face, and the purpose of this study is to present a comparative analysis of retention in the Navy and that of one of the leading corporations from private industry. Pacific Telephone and Telegraph was chosen for this study because of its negligible transfer of higher ranking management personnel from other corporations. It is hoped that some insight can be gained into reasons for whatever difference in retention figures exists, realizing that there are certain constraints facing both the Navy and Pacific Telephone and Telegraph which must be borne in mind when making a comparison.

CHAPTER II

ASSUMPTIONS

This paper is constructed around the hypothesis that Pacific Telephone and Telegraph Corporation is better able to retain its junior executives than the Navy is its junior officers. It is assumed that there are policies or methods involved affecting retention which are applicable to all organizations, realizing that each organization faces certain constraints which the other does not.

LIMITATIONS

The college graduate recruited into the Bell System is a volunteer in the true sense of the word. He has been interviewed by many organizations and decided on the company he would like to be associated with, and presumably for a long period of time. On the other hand, while the officer candidate is a volunteer, there are frequently outside influences biasing his decision. The prospect of being drafted into the services certainly influences many to seek the greater opportunities available to an officer, while at the same time completing their obligated service. There are also those who have taken advantage of a subsidized college education and then must fulfill their obligated service, but have no intention of remaining in the Navy. In view of these differences it is obvious that there are differing attitudes toward expected tenure at the time of initial employment.

The junior executive in industry enjoys a mobility which the junior officer does not, in that he is free to leave the organization at any time, whereas the junior officer is obligated for approximately four years after commissioning. The obligated service undoubtedly has an influence on the decision to remain on active duty in a favorable way for the Navy. If the proper time frames are utilized, the factor of obligated service should not effect the validity of this study.

There are many different sources from which naval officers are commissioned, some of which are college source programs and others are not. Pacific Telephone, on the other hand, recruits its management personnel from the college graduate population only. This variable must be considered in making comparison between the two organizations.

The size of the samples varies considerably between the two organizations. The Navy commissions on the order of 10,000 officers in a given year, while Pacific Telephone hires 120 into its management force annually. This figure can be expanded to include the whole Bell System which hires approximately 1,500 per year. The Navy figures can be broken down into certain subpopulations which will make a comparison more realistic.

The Navy and other governmental organizations are restricted to a greater extent than private industry in the options available to reward an individual. Pay scales are established by Congress as is the minimum time in grade for each rank. Industry is able to offer tangible incentives

on an individual basis and thus is able to reward quality personnel. As stated in Forbes:¹

On-the-ball businesses do all kinds of things to attract and keep key people.

In addition to salaries and bonuses and profit-sharing plans and health-medical help, an office carpet and a key to the executive john seem to be important hallmarks of arrival near the upper range of company management.

Many of the same rewards are applied in the Navy also, but they are not on an individual basis.

DEFINITIONS OF KEY TERMS

Specific terms used in this paper may be subject to various interpretations, therefore, the following definitions are enumerated as they are used throughout this paper.

Retention - Remaining on active duty or with an organization beyond a specified period of time. In reference to naval officers this will always refer to a date of expiration of obligated service or later.

11xx Unrestricted Line - Designator for surface officers who are unrestricted in duty assignments. They are the officers primarily used in manning the ships at sea.

13xx Unrestricted Line - Designator for aviation officers who are unrestricted in duty assignment - these are the officers used primarily in manning the air arm of the Navy.

NROTC (R) - With the Naval Academy this is the primary source of USN regular officers. The Navy pays tuition, textbooks, and instructional

¹"Good! First-Class Travel Up, " Forbes, XCV (May 1, 1965) 11

fees and \$50 per month retainer pay for 4 years. Must participate in 3 summer cruises and attain a bachelor's degree for commissioning.

NROTC (C) - Source for reserve officers. Navy pays \$27 per month for junior and senior years. Must participate in 1 summer cruise and attain a bachelor's degree for commissioning.

OCS - Officer Candidate Program. Primary source of surface reserve officers. Requires a bachelor's degree and 4 months training for commissioning.

ROC - Reserve Officer Candidate Program. Attend college as inactive reserve enlisted man and take active duty training for two summers of 4 weeks duration each.

AOC - Aviation Officer Candidate - Bachelor's degree required. Commissioned after 4 months pre-flight training and continue flight training. Incur 3-1/2 years obligation on completion of flight training or about 5 years from time of commissioning.

NAVCAD - Naval Aviation Cadet Program. Two years college required or equivalent. Complete flight training and commissioned with 3-1/2 year obligation.

CHAPTER III

ANALYSIS OF FACTORS AFFECTING RETENTION

BACKGROUND

The navy is experiencing shortage in many catagories of officer designators and rank, but some are much more critical than others.

The Secretary of the Navy Retention Task Force has outlined the following catagories as appearing to have critical shortages:¹

- a. The surface line in the grade of LT, LCDR, and CDR.
- b. The Aviation Line in the grade of LTJG and LT.
- c. The Special Duty Officer Law Community in the grade of LCDR.
- d. The Medical Corps in the grade of CDR.
- e. The Dental Corps in the grade of LCDR and CDR.
- f. The Supply Corps in the grade of LCDR.
- g. The Civil Engineering Corps in the grade of LT and LCDR.

The most crucial discrepancies from the standpoint of numbers alone is in the 11xx surface area. The following table illustrates the degree of these shortages.

¹U. S. Naval Officer Statistical Study, page 111

<u>Rank</u>	<u>11xx Surface Line Billets</u>	<u>11xx available To Fill</u>	<u>Billets filled by next lower Grade, Tars and LDOs</u>	<u>11xx Actual Shortage</u>	<u>Actual shortage Plus loss to billets of Higher Rank</u>
CDR	2, 1116	1, 432	296 (229)*	684	913
LCDR	3, 376	2, 125	367 (483)*	1, 251	1, 734
LT	5, 532	3, 295	3, 252 (1, 575)*	2, 237	3, 812

*Figures in parenthesis are officers filling billets of next higher rank.

Reproduced from SecNav Retention Task Force Study.

Table 1 portrays the overall Navy Manning level for Officers versus Billets.

Because the unrestricted line community has a background that is more closely aligned with that of Pacific Telephone recruits than do the other specialties, our study is limited to this category of officer. It would not be reasonable to compare navy specialists with the line personnel of Pacific Telephone or vice versa.

The source of programs for unrestricted line officers are the Naval Academy, NROTC, ROC, and OCS. Of the total unrestricted line population, 84% hold a bachelor degree or higher. The percentage of newly commissioned officers is higher than 84% and has been increasing in recent years. The junior executives with Pacific Telephone that are being used for comparison all hold a bachelor degree. From these figures it can be seen that the level of educational background is very similar between the two groups being compared.

Available Officer versus Billets (Less TP&P) Expressed in Percentages

	<u>ENS</u>	<u>LTJG</u>	<u>LT</u>	<u>LCDR</u>	<u>CDR</u>	<u>CAPT</u>
11XX Surface	142	150	55	58	60	62
11XX Submarine	3	100	84	117	137	359
13XX Aviation	13	63	63	100	106	141
135X Aviation Ground	138	104	102	65	145	100
14XX EDO	Note 1	Note 1	75	88	65	109
15XX W EDO	Note 1	Note 1	86	73	72	99
161X SDO (Crypto)	Note 1	40	144	98	93	111
162X SDO (Law)	Note 1	39	141	55	109	140
163X SDO (Intel)	Note 1	Note 1	97	62	102	120
165X SDO (PIO)	Note 1	Note 1	143	76	51	100
21XX MC	Note 2	Note 2	117	92	51	105
22XX DC	Note 2	Note 2	115	56	56	131
29XX NC	30	63	75	229	96	80
31XX SC	140	160	91	67	89	94
37XX SC LDO	Note 1	109	348	47	467	- -
410X ChC	Note 2	16	85	131	179	126
510X CEC	Note 1	127	69	64	83	94
6XXX (LDO)	290	280	267	62	159	- -

Note 1. - Since there are no, or very few billets written for these grades and since there are considerable numbers of junior officers in these designators, percentages are so large as to be meaningless.

Note 2. - No billets and no officers in these ranks.

SOURCE: U. S. Naval Officer Statistical Study.

TABLE 1

PROCEDURES

Statistics on retention were obtained by major input source for unrestricted line officers originally commissioned from fiscal years 1954 through 1961. Figures were obtained beginning with the end of obligated service and for four years thereafter. Statistics for junior executives are for those whose initial employment was for the first ten years. Tables showing these figures are included in this chapter.

A comparison of the various factors generally thought to influence desirability of employment was made. These include the areas of salary structure, retirement, fringe benefits, promotion opportunity, permanency of location, level of responsibility and specialization, prestige, job satisfaction, security, and education. Salary scales for the different levels of management in Pacific Telephone are comparable to those of the Navy. They are set up on a seven level achievement structure which closely approximates the seven ranks in the military establishment. A comparison of starting salaries is listed and figures for other tangible aspects of employment are available.

Differences between the employment factors for each organization were studied on the basis of their probable effect on retention. These differences are discussed in the light of relative advantages between the different careers.

RESULTS

Retention figures for unrestricted line officers commissioned in Fiscal Years 1954 through 1961 are shown in the table below. The figures are broken down by input source and total for all sources. Percentages are shown for the year at which obligated service ends and for each of the subsequent four years. Because of the different obligation incurred with different source program the years of commission service vary from 3 to 9 years.

Retention Rates By Source Code (11xx surface)

	<u>USNA</u>	<u>NROTC(R)</u>	<u>NROTC(C)</u>	<u>ROC</u>	<u>OCS</u>	<u>TOTAL</u>
Obligation	803	63.7	44.8	57.6	32.1	39.8
Obligation +1	61.8	23.3	15.7	25.4	18.6	
Obligation +2	54.1	13.8	6.0	14.5	12.0	
Obligation +3	48.7	8.7	3.6	8.0	8.5	
Obligation +4	43.1	6.4	2.3	7.1	5.7	8.8

Source: Bureau of Naval Personnel

Retention Rates For Management Personnel In Pacific Telephone and Telegraph

END OF ONE YEAR	82.0
END OF SECOND YEAR	76.5
END OF THIRD YEAR	70.5
FOURTH THROUGH TENTH YEAR	64.0

SALARIES

A complete comparison of salaries cannot be made due to the lack of information available from Pacific Telephone. However, the following beginning salaries are shown for comparison:

	<u>Pacific Telephone</u>	Ensign (less than 2 yrs) <u>Unmarried</u>	Ensign (less than 2 yrs) <u>Married</u>
Base Pay	*540 - 700	241.20	241.20
Allowance for Qtrs			110.10
Subsistence		47.88	47.88
Total	540 - 700	289.08	399.18

It is not considered essential to this study that further salary information be included. There are studies available which compare civilian/military wages by industry average through all ranks.¹

*This range is dependent on the individuals technical background and the amount of education. A Master Degree increases the salary \$75.00 per month while a Doctors Degree can increase the base amount by over \$100.00/month and is usually negotiated to the agreement of both the individual and Pacific Telephone.

¹Simon Arzigian, Civilian/Military Compensation Study, Personnel Research Division, Bureau of Naval Personnel, Task Assignment 31.4-1 W, RS - 62-25, 1962.

FRINGE BENEFITS

The use of fringe benefits has become an increasingly larger part of total compensation throughout the work force in recent years. Long considered a major advantage of a military career, the relative gap between industry and the military has been closing in recent years. No attempt will be made to assign a monetary value to these benefits, but they will be listed and discussed for both organizations. The following are supplementary benefits available to naval personnel:

Federal Income Tax Exemptions - Naval personnel receive a subsistence allowance and a quarters allowance (if housing is not provided) which are exempt from Federal Income Tax. This is actually an increase in pay rather than a fringe benefit.

Social Security - Benefits are the same for all participants whether military or civilian.

Dependency and Indemnity Compensation - Compensation payable to widow or certain other dependents upon death of serviceman. It is in effect only while on active duty. Amount payable is equal to \$112.00 per month plus 12% of base pay.

Death Gratuity - Lump sum payment to survivor equal to six times the monthly base pay at time of death within an \$800.00 minimum and \$3,000 maximum.

Burial Costs - \$200.00 maximum to help defray burial costs of deceased serviceman.

Medical Care - Provided for serviceman and his dependents. On an availability basis.

Commissaries - Provide groceries at a generally more reasonable price than available in community.

Post Exchange - Provide many dry goods at a more reasonable price than available in the community.

Recreational Facilities - Such facilities as clubs, theaters, and swimming pools which are available at a reduced price.

Mortgage Insurance Premium - Plan for payment of FHA Insurance for serviceman purchasing a home with an FHA loan.

Retirement - Eligible to retire between 20 and 30 years active duty at a monthly retainer equal to 2 1/2% of base pay for every year on active duty.

The following are fringe benefits applicable to employees of Pacific Telephone and Telegraph and other companies of the Bell System:

Retirement - Eligible to retire between age 62 and 65. The amount received is equal to 1% per month of the highest average earnings over any five year period of employment.

Insurance - Double indemnity policy at a cost of forty-cents per thousand face value. This is group term insurance with no cash value. Thirty per cent of the amount will be paid in one sum at death and the remaining 70 per cent will be paid by 12 monthly installments (plus interest). After retirement at least half of this insurance will be in effect and will be paid by the company.

Social Security - The same law applies as does to the Military.

Medical & Disability Benefits - Basically a Blue Cross plan that the company now pays one-fourth of the premiums, and they will presently defray up to one-half of the cost of the plan. On top of this Pacific Telephone has an Extraordinary Medical Expense Plan (EME). This plan pays 80% of covered medical expenses (50% for mental care outside a hospital), and out-of-pocket amount equal to 4% of the employees annual basic pay with a minimum of \$100 and a maximum of \$500, plus a maximum of \$20,000 in benefits (\$5,000 for dependents over 65 and for retired employees and their dependents).

Death Benefits - Death as a result of sickness:

<u>Length of service</u>	<u>Amount paid employees survivors</u>
6 mos - 2 yrs	4 months wages
2 yrs - 3 yrs	6 months wages
3 yrs - 4 yrs	8 months wages
4 yrs - 5 yrs	10 months wages
5 yrs and over	1 yrs wages

Death as a result of accident (on the job) 3 years wages, but not to exceed \$30,000. Funeral expenses not to exceed \$500.00 per employee.

Stock Options - Allows each employee to purchase company stock at eight-five percent of face value at time of purchase with two years to pay for the stock at no interest.

PROMOTION

Opportunity for promotion of naval officers is governed by the Officer Promotion Act of 1947 as incorporated in Title 10, U. S. Code. This law

prescribes minimum in-grade requirements. The following table shows the minimums established by law and those existing at the present time.

TIME IN GRADE FOR SELECTION

<u>GRADE</u>	<u>TITLE 10 Minimum</u>	<u>CURRENT</u>	<u>-1 yr. Commission Service at Promotion Pt.</u>
ENS	-	1-1/2	1-1/2
LTJG	2	2-1/2	4
LT	4	5-1/2	9-1/2
LCDR	4	5	14-1/2
CDR	5	6-1/2	21
CAPT	3	-	-

Source: Bureau of Naval Personnel

Promotion in the Pacific Telephone organization is not constrained by law and is obviously going to vary over a wide range depending of the individual. This would appear to be a major attraction to the outstanding individual because he can advance much more rapidly. Nevertheless, average figures are useful for comparison and the following table shows average service to the various management levels.

<u>Level</u>	<u>Average yrs. Service</u>
1	2
2	3
3	5

The Linearity Promotion System. Down through the years officers have been promoted on a "lineal list". Provision is in the law for "deep selection", i. e. consideration for promotion of outstanding individuals up to two years earlier than normal expectation for their particular year group. Some few officers are promoted this way in the Army, Navy, Air Force and Marine Corps.

Recently such legislation authorized it for the Coast Guard. In effect, the law permitting deep zone selection says, "All officers are either exactly equal in their performance or they are truly outstanding". There is no scale of performance. There is in the Service, as in industry, or any other area of human endeavor, a wide scale of achievement among human beings. The causal elements of individual competence are many and varied.

Deep zone selection itself has defects. It has produced undesirable "halo" effects, or criterion contamination. Occasionally, more in the way of performance is expected of these individuals than they are able to produce. When evaluated the reference group is not "all other officers of similar age, rank, and experience" but rather a race of imagined "superior officers". The result is a poorer evaluation than that to which they would normally be entitled. Another side-effect, particularly noticeable in the smaller branches, is the generation of "envy" resulting from use of the deep zone. Lineal list promotion therefore remains the prominent feature determining promotability.

What is the lineal list? When first commissioned, either from a Service Academy, OCS, direct commissioning, or whatever, an officer is assigned a lineal number and placed in a "year group" which roughly coincides with the year in which commissioned. For the most part he will henceforth be promoted no earlier and no later than one number after the

man whose signal (linear) number is one less than his own. This is true assuming he passes through the promotion boards. When his zone is under consideration he can only lose numbers for failing to be approved for promotion, but cannot gain numbers for successfully passing through for selection for promotion. In effect, there is possible penalty for poor performance, but no relative reward for outstanding or above average performance.

Younger officers particularly look ahead at their future careers and view this system with distaste. Certainly there are some few who lack confidence in their ability to make it in the long run. But ideally, every new ensign commissioned should aspire to the top of the ladder. No one ever attains heights any higher than their aspirations. The linear list is therefore a source of distress to the intelligent and energetic youngster - the fellow most under consideration when the problem of retention is discussed. Given the right set of conditions, there is no reason why the Service should not compete for some of our best minds.

For years the fitness report has been under fire as a means of measuring officer performance. Argument generally revolves about the fact that the basis for the report is a "value judgment" exercised by the reporting senior. Value judgments have no exact scale of measure. Despite most serious efforts to devise some "absolute" reference, or nearly so, this defect remains and is likely to be with us always. Some raters tend to

mark high and others low. This is the sole justification for the lineal list promotion system as a compromise "best" alternative. It is acknowledged on all levels to be unrealistic but no reasonable substitute has been offered to date. For the most part then the fitness report exists only as a "means for selecting officers out of the service".

Figures 1 and 2 show the promotion opportunity for Lieutenant Commander to Commander and from Commander to Captain. All other lower ranks were at or very near 100% promotion opportunity.

LOCATION

One of the inherent characteristics of a naval career is the frequent change in duty from one location to another. An officer can anticipate being transferred to a new duty station every two to four years. This mobility is a desired feature to many, but considered a major disadvantage to most officers. Children are taken in and out of schools and left with no real feeling of permanency. Choice of homesites is usually limited for a number of reasons connected with short tours of duty. The rents paid are usually premium and the moves take quite a bit out of the already limited savings of the junior officers. Although the extent cannot be determined, the instability of location certainly causes some officers to leave the service. The junior executive with Pacific Telephone can normally expect to remain in the same general location for a long period of time. If a person desired a more itinerant life he probably would not have entered the occupation to begin with. Consequently, it is not felt that location is a

LIEUTENANT COMMANDER TO COMMANDER

PROMOTION OPPORTUNITY ANALYSIS 1961-1965

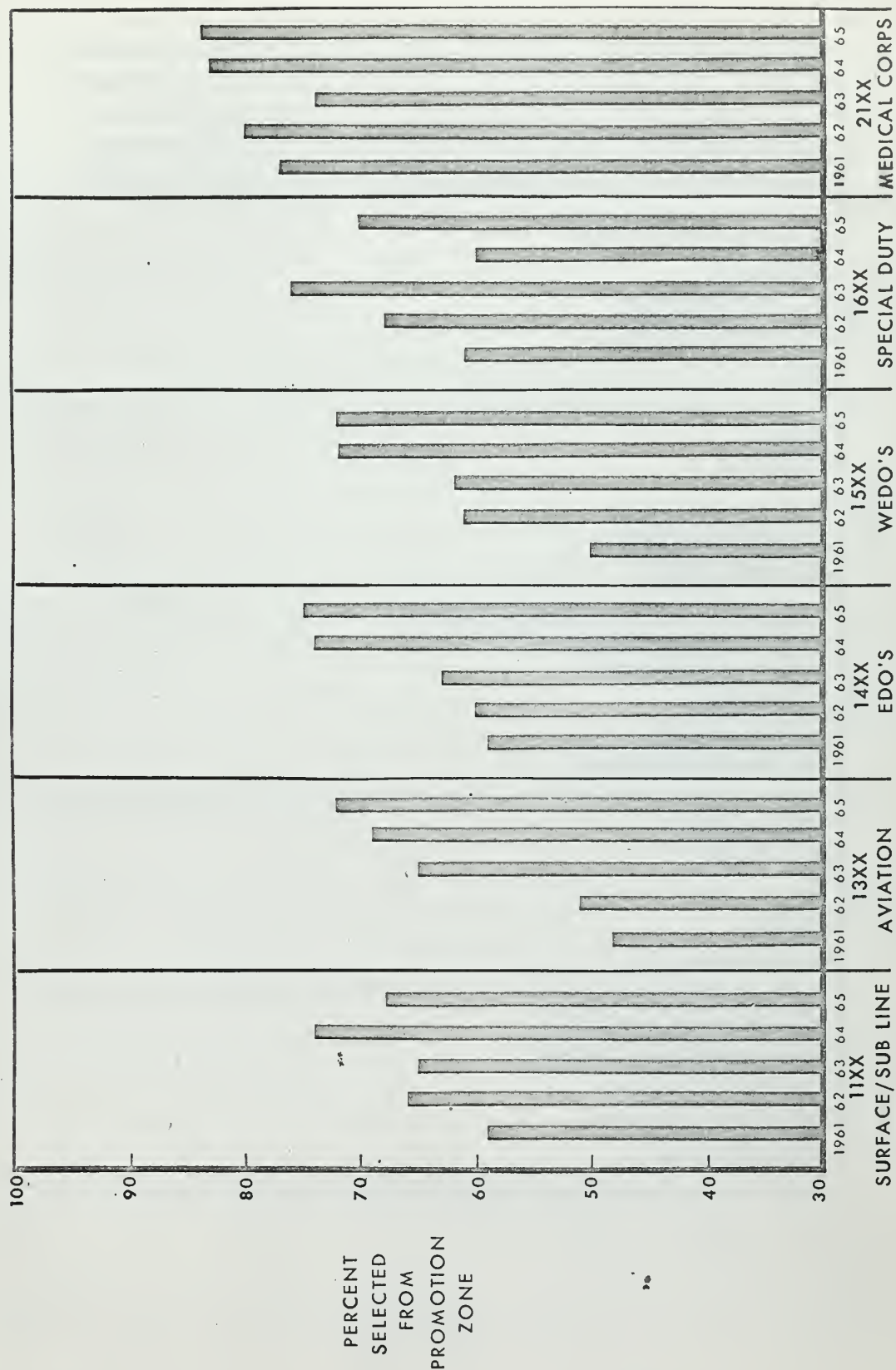


Figure 2
Reproduced from U.S. Naval Officed Statistical Study

COMMANDER TO CAPTAIN

PROMOTION OPPORTUNITY ANALYSIS 1961-1965

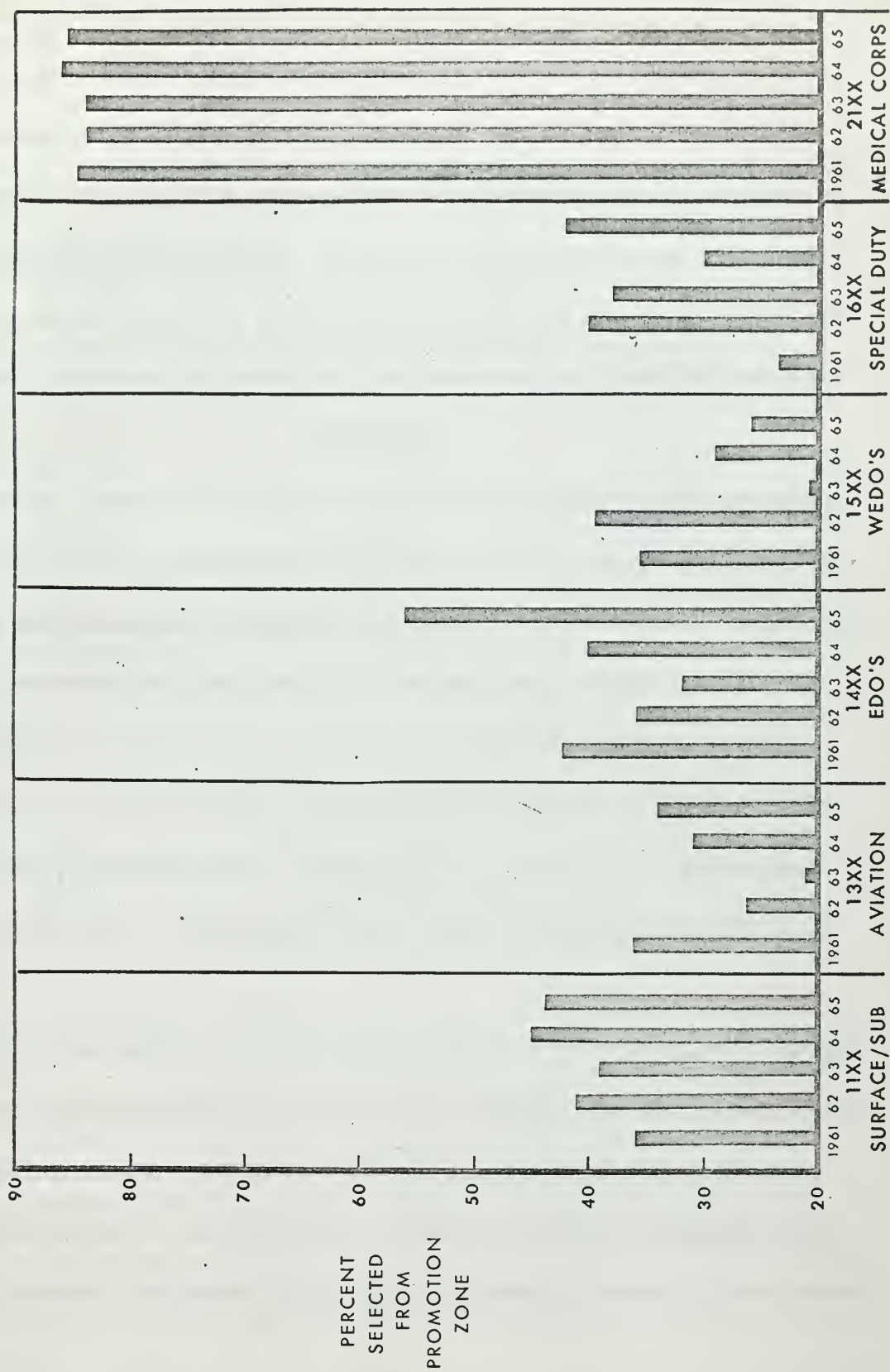


Figure 3
Reproduced from U.S. Naval Officer Statistical Study

factor in employees leaving Pacific Telephone Company.

Frequently named as one of the primary reasons for leaving the Navy is the undesirable aspect of long periods of time at sea and separation from families coupled with added expense of maintaining two households with insufficient remuneration. By the very nature of the mission of the Navy this aspect cannot be controlled. Certainly it is a factor which will effect the comparison of retention in an unfavorable manner for the navy.

PRESTIGE

Prestige, status, and public image are intangibles which have long been recognized as incentives for assuming greater responsibilities and positive aspects toward attracting employees. It is generally recognized as a major attraction toward white-collar jobs even though they may be lower paying. If some officers suffer from unfulfilled "Status needs", what must it be for the technically trained and competent officers? The record shows us the answer. They get out in droves at the end of their obligated service. Those who stay are often the ones the service least wants.

There is no simple solution to this problem. The men most in demand by the military are the high achiever, the energetic, the ambitious, those most seeking not only a sense of professional accomplishment but also reasonable status in the community. Rewards do play an important role in American life. All these things cannot be totally separated from "status".

There is evidence throughout industry as well as the Military of greater privileges extended with additional responsibility in an effort to increase prestige and status. The only significant study we have been able to find concerning the public image of various occupations was, "Attitudes of Adult Civilians toward the Military Service as a Career" conducted for the Armed Forces Office of Information and Education in 1955. The ranking of various occupation from this study are shown in the following table.

<u>OCCUPATION</u>	<u>ADULT CIVILIAN RANK ORDER</u>
Physician	1
Scientist	2
College Professor	3
Minister or Priest	4
Lawyer	5
Public School Teacher	6
Officer in the Armed Service	7
Farm owner or operator	8
Carpenter	9
Radio or TV announcer	10
Mail Carrier	11
Book keeper	12
Plumber	13
Owner of small store in City	14
Garage Mechanic	15
Enlisted Man in the Armed Service	16
Barber	17
Sales Clerk in a store	18
Truck Driver	19

The business executive is not specifically listed in this survey but from the occupational similarities to others listed it appears that he would fall very close to the Officer in the Armed Services.

SPECIALIZATION

The unrestricted line officer group selected for this study is by definition a non-specialist. An officer may develop a sub-specialty through various schools and duties as he progresses through his career but he can anticipate assignments to various departments within an organization rather than remaining in a particular field. It is in fact desired to give a junior officer experience in as many different phases of the operation as feasible. An executive with Pacific Telephone will tend to gravitate into a specific area within the organization until reaching the upper range of the management hierarchy. This degree of specialization is a basic difference in the types of organization and may well have an effect on retention.

LEVEL OF RESPONSIBILITY AND JOB SATISFACTION

Pacific Telephone has recently incorporated a change in their first year assignment policies. Previously, they had assigned a new employee to different jobs for a short period of time as a trainee while he learned the ropes. This policy was changed recently and now a new man is assigned directly to a responsible productive position. Since this new "sink or swim" policy has been incorporated there has been a change in retention figures. Losses during the first year have increased and then are reduced drastically to a level below previous figures for subsequent years. It is felt by the management that there has been a corresponding increase in quality. The degree of responsibility given a newly commissioned ensign varies over a wide range depending on the size of the command to which

he is assigned and other variables. In some organizations he may be moved from one department to another as a training process while in others he may be required to remain in one department for a long period of time. Retention statistics are not available which relate to type commands, jobs held, or level of responsibility.

JOB SATISFACTION AND SECURITY

The level of job satisfaction is a difficult factor to determine. Perhaps it isn't known whether an individual is satisfied with his job until he leaves the organization and it becomes obvious that he is not. Even then, we are not sure about the degree of satisfaction of those remaining, but perhaps they are dissatisfied and remaining for other reasons. There are those who could never be satisfied working in an authoritarian type organization regardless of other benefits and the military is by necessity at one end of the spectrum in the array of authoritarian organizations. Pacific Telephone is also a highly structural organization and certainly authoritarian in relation to many occupations available in the civilian community.

The following Tables indicate the reasons for resignation in the United States Navy.

TABULAR PRESENTATION OF REASONS FOR RESIGING
CONTAINED IN SECTION OF RESIGNATIONS

<u>Reasons for Resigning</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Continue/Further Education	30.4%	28.3%	26.9%
Financial Consideration	1.4%	2.7%	4.0%
Enter Private Practice MC/DC	13.4%	8.5%	8.3%
Deprivation of Home Life	10.0%	9.8%	14.4%
Compelling Family Situation	1.7%	2.7%	2.9%
Enter Specific Field of Endeavor	24.7%	23.4%	22.8%
General Dissatisfaction with Navy Life	.7%	1.4%	2.4%
Lack of Interest in a Navy Career	3.4%	2.9%	6.1%
Passed Over for Selection	1.2%	1.7%	.4%
Marriage	2.8%	1.4%	1.0%
Pregnancy	2.1%	.9%	1.4%
Performance	5.1%	2.3%	3.8%
Miscellaneous	3.1%*	14.0%*	6.1%*
No Single Identifiable reason	373	480	904
Base No.	<u>582</u>	<u>1,618</u>	<u>955</u>
	955	2,098	1,859

*These miscellaneous reasons include:

Specialization in a field not available in the Navy
Dissatisfaction with Navy Medical Facilities
General erosion of officer status
Chronic motion sickness
Unsatisfactory Fitness Report
Non-selection for a specific Navy program
Involuntarily selected for Nuclear Power Training
Interservice Transfer
Physical reasons

TABLE 2

The following is a tabulation of the five most frequent reasons for resigning by principal officer communities as stated in letters of resignation:

<u>Unrestricted Surface Line</u>			
	<u>1962</u> ¹	<u>1963</u> ²	<u>1964</u> ³
Continue/Further Education	39.7%	40.3%	33.5%
Enter Specific Field of Endeavor	27.6%	29.7%	24.2%
Deprivation of Home Life	11.6%	10.9%	14.4%
Performance	5.3%		5.7%
Lack of Interest in a Navy Career	3.8%	4.2%	9.3%
Passed Over for Selection		2.3%	

¹Total number of resignations considered - 318

²Total number of resignations considered - 821

³Total number of resignations considered - 421

<u>Unrestricted Submarine Line</u>			
	<u>1962</u> ¹	<u>1963</u> ²	<u>1964</u> ³
Deprivation of Home Life	20.3%	33.4%	30.6%
Financial Considerations	21.7%	27.8%	25.4%
Continue/Further Education	17.4%	20.4%	18.7%
Compelling Family Situation	8.7%	9.3%	6.8%
Passed Over for Selection	8.7%	No definite Fifth reason	5.1%

¹Total number of resignations considered - 23

²Total number of resignations considered - 54

³Total number of resignations considered - 59

TABLE 3

Unrestricted Aviation Line

	<u>1962</u>	<u>1963</u> ¹	<u>1964</u> ²
Enter Specific Field of Endeavor		39.2%	29.6%
Deprivation of Home Life		26.3%	26.4%
Continue/Further Education		18.2%	25.4%
Compelling Family Situation		10.0%	
Lack of Interest in Naval Career		2.7%	3.8%
General Dissatisfaction with Service Life			4.7%

¹Total number of resignations considered - 110

²Total number of resignations considered - 106

Unrestricted Line Aviation Ground Officers and NAO (1350)

1962-1964

Enter Specific Field of Endeavor	28.9%
Continue/Further Education	22.0%
Deprivation of Home Life	15.2%
Performance	6.8%
Lack of Interest in a Navy Career	5.1%

TABLE 4

There is no way of telling whether or not these are actual reasons, or perhaps felt to be the most expeditious means of having their resignation accepted.

Security has traditionally been one of the major selling points for a military career. Barring extremely unusual circumstances a regular naval officer is assured of employment for a minimum of 20 years at which time he is eligible for retirement. If he fails to be selected for promotion to the rank of LCDR for two consecutive years he is severed from active duty and paid a lump sum equal to two months pay for every year of commissioned service. The naval officer also has the security provided his family which were previously listed under fringe benefits. Pacific Telephone also provides its management personnel with a high degree of security. Once an individual has been with the company for four years the chances of his being involuntarily dismissed are negligible. His job security is not endangered by fluctuations in the business cycle to the extent many other occupations are.

EDUCATION

The percentage of college graduates of total commissioned officers on active duty has increased from 1952-1963 DOD-wide from 46.2% to 69.4%. In the Navy, the increase during the same years is from 58.0% to 62.7%. The Navy's policy has been to attract and to retain large numbers of college graduates in the officer corps. By various procurement programs the Navy does gain large numbers of college graduates each year:

Procurement: Officer Accessions, Classified by Educational Level of Program (e.g. College Graduate versus non-College Graduate Programs); Selected Years FY 1954-1964

<u>Estimated %</u>	<u>FY 55</u>	<u>FY 56</u>	<u>FY 57</u>	<u>FY 58</u>	<u>FY 59</u>	<u>FY 60</u>	<u>FY 61</u>	<u>FY 62</u>	<u>FY 63</u>	<u>FY 64</u>
College Graduates to										
Total Officer										
Input by FY	75.4	74.5	69.3	73.1	77.8	72.2	85.3	86.4	87.3	88.7

NOTE: Accession by education level, by source is not available. However of the major procurement programs only NAVCAD does not require a college degree. "Other procurement" sources include a mixture of college and non-college graduates. Using best available data concerning these sources, the estimated percentage of college graduates from all sources of officer input is indicated above.

Inadequate retention rates (although improving) of college graduates is apparent from the high percentage of initial college graduate accessions versus the relatively low increase in college graduates as a percent of total commissioned officers in the Navy:

In analyzing retention experience by educational background it becomes immediately apparent that officers who participate in Navy sponsored postgraduate education are basically career motivated. Of the approximately 8000 officers who complete postgraduate education from 1947 to 1964 less than 1% of them terminated their Navy career by resignation. These figures are exclusive of the Medical Department and Special Duty Officer Community sponsored postgraduate education. It must be borne in mind that because of the additional obligated service incurred in pursuing these courses (2 years for each year of education received) an officer who enters the post-

graduate education system must have an initial high degree of career motivation.

Considering the high numbers and high percentages of college graduates entering the Navy each year, however, the small annual rise in college graduates versus total commissioned officers can lead only to the conclusion that, in the main, college graduates entering the Navy do not find it an attractive career.

Percent of Naval Officers by Rank holding BA/BS Degrees or Higher

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
ENSIGN	88.5	97.2	92.1	90.3	89.8	90.9
LTJG	72.3	73.1	79.1	70.7	73.2	81.1
LT	73.4	69.7	63.6	66.1	62.2	61.4
LCDR	46.7	52.3	55.0	61.9	67.2	68.9
CDR	66.7	64.7	60.6	59.7	62.3	64.4
CAPT	94.8	94.0	89.0	89.6	88.1	87.9
ADM	99.6	100.0	100.0	100.0	100.0	100.0

Educational Background of Total Naval Officer Corps, Year Group 1960-1964

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Less than High School	1.1%	2.2%	1.4%	1.0%	.8%
High School Graduates	6.2%	11.0%	10.1%	9.5%	8.9%
Some College	19.0%	18.4%	17.7%	17.7%	16.4%
Bachelor	50.9%	50.6%	50.4%	52.4%	54.9%
Significant P.G.	.9%	1.7%	1.9%	2.2%	2.2%
Master	6.1%	6.0%	6.0%	6.3%	6.5%

Doctor	5.9%	7.4%	7.2%	7.2%	7.3%
Not Recorded	9.9%	2.7%	5.3%	3.7%	3.0%
Non-Degree Aggregate	26.3%	31.6%	29.2%	27.3%	26.1%
Degree Aggregate	63.8%	65.7%	60.1%	71.8%	70.9%

Educational Background of Regular Officer Corps, Year Groups 1960-1964

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Less than High School	1.7%	3.5%	3.1%	1.5%	1.3%
High School Graduates	7.8%	11.3%	14.2%	13.7%	13.2%
Some College	21.6%	20.2%	19.6%	19.8%	18.6%
Bachelor	49.7%	46.2%	44.1%	45.0%	46.4%
Significant P. G.	.9%	2.5%	2.2%	2.5%	2.8%
Master	8.5%	8.1%	7.7%	8.3%	8.8%
Doctor	6.6%	7.4%	6.7%	6.8%	6.9%
Not Recorded	3.2%	.8%	2.4%	2.4%	2.0%
Non-Degree Aggregate	31.1%	35.0%	36.9%	35.0%	33.1%
Degree Aggregate	65.7%	64.2%	60.7%	62.6%	64.9%

NOTE: Includes Warrants, Women and Retired Officers on Active Duty.

Pacific Telephone employs only college graduates into their Management Achievement Program ranging from the Baccalaureate through the Doctorate level. They have recently introduced a new educational assistance program in which they will give time off with pay to those employees who wish to further their college education. This time off does not amount to that of a full time graduate student.

SUMMARY CHAPTER 3

The purpose of this chapter was to present a direct comparison of retention figures for the two organizations, and it was found that Pacific Telephone retained 64% at a point 10 years after initial employment while the navy retained approximately only 8.8% considering all sources. A further comparison was made of the many variables which are considered to have an effect on retention. They are: retirement, fringe benefits, promotion opportunity, permanency of location, level of responsibility, specialization, prestige, job satisfaction, security, and education. The next chapter will be devoted to analyzing the effect of these differences, recommending changes, and suggesting specific areas for study in depth.

CHAPTER 4

RESULTS AND CONCLUSIONS

The United States Navy has been plagued with the problem of retaining junior officers on active duty beyond their expiration of obligated service. These losses represent not only the monetary loss involved with training, but also a reduction in readiness caused by the requirement to man operating units with inexperienced personnel. Beyond these immediate consequences and perhaps more serious in the inevitable loss in quality of senior officers of the future, caused by a resultant reduction in selectivity for promotion.

Retaining qualified personnel is a necessity in private industry as well as in the military if they are to operate efficiently. There are certain options open to each organization which differs from the other, but the problems are basically the same. It has been the purpose of this paper to present a comparison between retention of junior executives within one large corporation and junior officers in the Navy. A comparison of these factors which affect employment decisions was made in an effort to analyze differences in retention.

Statistics were gathered from records kept by the Bureau of Naval Personnel and other studies conducted within the navy. These statistics were compared with those furnished by Pacific Telephone Company for its junior executives. It was found that Pacific Telephone retains a much

larger percentage of its management personnel than does the Navy. The following pages discuss the various differences in employment variables previously compared, and the probable effect on retention differences between the two organizations. .

DISCUSSION OF RESULTS

Complete salary information was not included in this study but starting points were compared. As would generally be expected the junior executive starts as a significantly higher salary than does the newly commissioned ensign, the amount of difference depending on marital status, education level and technical ability. For the officers involved in this study the initial employment salary may not be the proper comparison point for purposes of discussing its effect on his decision to remain in the navy. Under present promotion policies the junior officer makes Lieutenant after four years commissioned service which also coincides very closely to the expiration of his obligated service. At this point a married officer earns approximately \$711.00 per month which compares more favorably with the salary he can expect starting out in industry.

It is difficult to determine the effect of salaries on the desire for a particular career. There was not a marked increase in retention of personnel in the Navy during the year of the previous pay raise although that in itself does not lead to a conclusion. Psychologists in the field are of varying opinions concerning the effect of money upon employment. Aaron Levenstein maintains that there is no substitute for a good wage.¹ On the

¹Arthur Levenstein, Why People Work (New York: Crowell-Sollier Press; 962), pp. 238-39.

other hand, Frederick Herzberg maintains that a fair wage is important and essential, but above that, wages do not appear to motivate.²

Certainly, if wages within the Navy are allowed to lag further behind the rest of the economy it is going to have an adverse effect on retention of personnel. The results of a significant increase in military pay are difficult to predict, but in view of historical evidence a significant increase is not likely to occur. Therefore, while the Navy must continue to press for an equitable wage for its personnel in order to at least maintain the status quo, it is also necessary to look elsewhere for methods of improving retention.

Fringe benefits available to the naval officer certainly constitute an important form of remuneration and have historically been thought of as a prime motivator toward a career in the service. The results from the previous chapter in comparing fringe benefits of the two organizations show that the Navy has an advantage from this aspect. However, many of the benefits listed for naval personnel are not available or utilized to the maximum extent. For example, commissaries, post exchanges, and recreation facilities are not always available or are so inconvenient and overcrowded that they are not utilized by many personnel. Mortgage Insurance Premium was listed, but for many this could hardly be considered a retention incentive because until recently, personnel were eligible for a VA loan after discharge which is more attractive than the FHA guaranteed

²Frederick Herzberg, Bernard Mausner, and Barbara Block Snyderman, *The Motivation to Work* (2nd Ed; New York: John Wiley & Sons, Inc., 1959) pp. 82 - 83, 113 - 119.

loan.

Medical Care is a major benefit available to the naval officer which Pacific Telephone does not offer its employees. While it is not germane to this study, many industrial organizations have an excellent medical plan. However, the real issue of interest is the manner in which benefit of medical care affects officer retention. It would appear that it could do nothing but improve retention, however, there is perhaps another aspect which bears on the problem. Frequently, facilities are inadequate and overcrowded and inconvenient. Medical personnel are frequently inadequate to provide care for the number of dependents in an area and an aura of socialized medicine prevails. Medical Care for dependents along with the other fringe benefits have historically been regarded as benefits implicitly guaranteed military personnel. When these benefits are reduced or inadequate they may have a negative effect on retention rather than helping to retain officers. When a person has come to expect something and it is then withheld it will arouse his antagonism, whereas if nothing was promised or come to be expected it will have a neutral effect.

Death benefits to dependents for naval officers are far inferior to those provided Pacific Telephone Company employees. It is difficult to determine the importance attached to these benefits by different categories of personnel. It would be reasonable to expect that it has a great

impact on the family man, whereas the younger single man as a general rule has not concerned himself with this contingency as yet. If this assumption is true, then it would be expected that this benefit would increase retention rates among family men while having less effect on single men. Figure 1 shows resignations of naval officers by marital status. One of the contributing factors to the high rate among married men is the security factor provided by death benefits.

Retirement benefits available to naval officers has long been considered a primary incentive for remaining on active duty. While the retirement salary may be comparable with Pacific Telephone, the naval officer has the unequivocal advantage of retiring at a relatively early age. This is sometimes looked upon as a disadvantage in that an officer is frequently forced to retire at a point in his life when his responsibilities are greatest, but his retainer is insufficient to meet these responsibilities, and consequently he must look for a new career. However, the retirement system in the Navy must be considered as a factor which contributes to an increased retention rate.

Frequent transfers from one location to another is a factor which may appeal to some and be distasteful to others and will therefore affect retention of naval officers both positively and negatively. Related to transfer from one duty station to another is a factor peculiar to the Navy which Pacific Telephone does not have to contend with, and that is the long

Resignations by Rank
1962-1964

	<u>1962</u>	<u>1963</u>	<u>1964</u>
Lieutenant Junior Grade	319	779	333
Lieutenant	370	672	684
Lieutenant Commander	266	647	842

Resignations by Marital Status by Rank

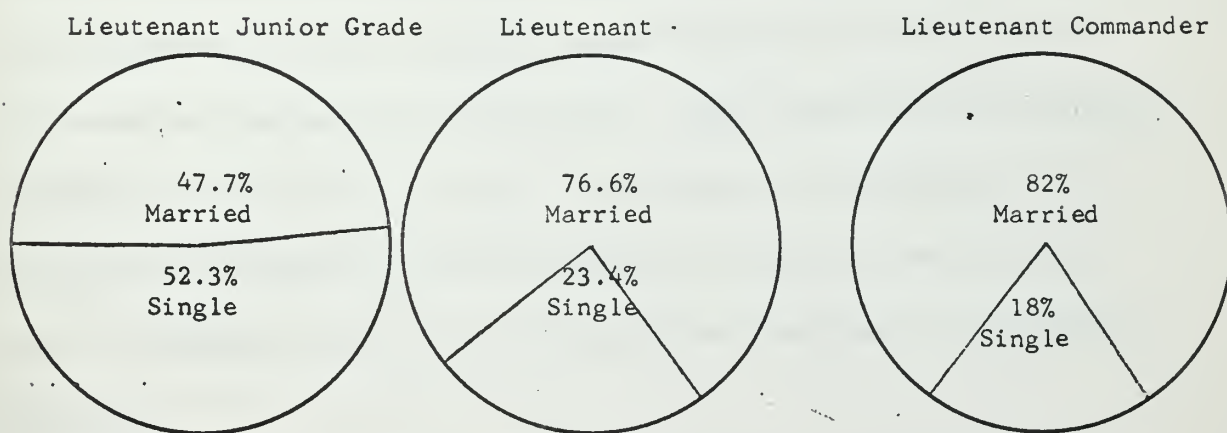


FIGURE 1

period of time spent at sea and the additional cost of maintaining the household while the serviceman is away. There can be no doubt that this is one of the prime factors contributing to low retention rates within the navy.

The level of responsibility appears to have a significant impact on job satisfaction in that it quickly discourages the non-qualified and is highly satisfying to the more capable individual. This is borne out by the experience of Pacific Telephone since changing its procedures for placement of new management personnel. While there are no statistics in the Navy to validate this analogy, observation by the authors of this study has demonstrated a marked increase in motivation and desire to remain in the Navy on the part of those officers assigned to responsible positions.

The selectivity process between the two organizations is significantly different. Pacific Telephone conducts a comprehensive recruiting program among the colleges throughout the nation. A prospective employee must pass the Management Achievement examination, must be in the upper half of his graduating class academically, and is then interviewed extensively. Of those actually bid for, Pacific Telephone has experienced approximately a 50% acceptance rate. The Navy, on the other hand has several different source programs as outlined earlier in this paper. Of the various source programs, only the Naval Academy approaches the retention rate of Pacific Telephone. Of these source programs only OCS has

an input primarily drawn from recruiting graduating seniors among the various colleges. The OCS candidate must successfully meet minimum physical and mental requirements prior to acceptance. The primary difference in recruiting of college graduates is the extensive interviews conducted by Pacific Telephone which the Navy does not do.

CHAPTER 5

RECOMMENDATIONS

There is no one "cure-all" that can be adopted to improve the retention rate of the more qualified junior officers. Rather it must be a judicious improvement of all of the parameters discussed in this research paper. It must be realized that the Navy is in keen competition with industry for the most qualified men and industry spends more time and money than does the military in this recruiting process. Industry can be more selective of the individuals hired and more flexible in salaries, locations and positions offered. Therefore it is up to the Navy to make a career as a naval officer more appealing and more challenging than one in industry if it is to retain the more highly qualified and trained officers.

The Navy must strive to educate prospective career officers in the advantages of a naval career. As it now stands many young college graduates would rather be drafted and serve from six months to two years in the army than to sign up for four or more years in the Navy.

The most familiar solution to low retention heard in the Navy is an increase in pay, and there can be no doubt that it would provide increased retention based simply on the law of supply and demand, so long as the elasticity of demand is not zero. It is evident from Chapter Four that the naval officer's wages are not equivalent with those of junior execu-

tives with Pacific Telephone. With the continuous pressure to keep the defense budget down, there appears to be little chance of an increase in pay which will more than retain the present relative standing. The ideal situation would be to sit down and bargain on an individual basis with each employee which Pacific Telephone and other industrial concerns are able to do with their management personnel, but this obviously is not feasible in the Navy. The subject of military pay is a complex one involving many factors, the complete discussion of which is beyond the scope of this paper. Suffice it to say that regardless of comparability with wages in other occupations, if they are not sufficient to attract the quantity and quality of personnel needed, then they are deficient. Responsible leaders must continue to be vociferous in the necessity of a pay scale which will attract sufficient personnel to the navy.

In conjunction with base pay, subsistence and quarters allowance, the present sea pay is entirely inadequate. The naval officer must now maintain his household at home (if married) plus the added expense of himself while away. In a recent study it was determined that the male head of the household while residing at home was equal to an average 35-40 dollars extra a month. This figure included gardening duties, repairing household items and baby-sitting. Some junior officers families must request the assistance of Navy Relief in order to meet the household expenses while the head of the household is deployed. In this day and age of trying to make a naval career attractive, this is entirely unsatisfactory.

To alleviate this problem area, it is recommended that a substantial increase in sea pay be legislated for. This will at least make these necessary long deployments at sea more bearable.

Another area that draws much criticism is the discrimination against bachelor officers in the awarding of Basic Allowance for Quarters. Although this is defined as an allowance, it still is in the true sense of the word part of his "wages". It is recommended that the decision to live in the BOQ's or ashore be left up to the individual officer and that the BAQ allowance be made available to him upon request if he so desires to live ashore.

Related to military pay and probably a more fruitful area for improvement without large increases in the budget, is the area of fringe benefits. The Navy does have an advantage over Pacific Telephone and other industries in this aspect and must make the optimum use of this advantage. These benefits should be costed and given wider publicity to the young officer about to reach a career decision point. A short, easy to read pamphlet could be made available to officers and their wives to show monetarily what these fringe benefits consist of. The military retirement plan should be costed from the basis of actuary tables and show a man what his equity is at any point in time. Survivor benefits such as Dependency and Indemnity Compensation, Death Gratuity, Medical Care and Burial Rights should all be expressed in cost of equivalent programs so that an

individual knows exactly what he is giving up when leaving the navy. There are many other smaller benefits which could be included. If the navy is to effectively compete with industry for adequate manpower, it must take full advantage of the assets it has to offer and give them wide publicity.

Medical care for dependents is another benefit which is implicitly guaranteed naval personnel and a major advantage over Pacific Telephone. Too often, however, facilities are inadequate, overcrowded, and inconvenient, and consequently damaging to morale. Medicare was an excellent program to correct many of the problems, until the coverage was drastically reduced to a point where few even know what their benefits are under Medicare. Reinstitution of Medicare as it previously existed would help correct many of the deficiencies which now exist in the medical care program.

At the present time of the major source programs, only the Naval Academy graduates are remaining on active duty at near the desired rate. These are young men who appear to be highly motivated toward a military career at an early age. Perhaps there are ways of selecting career motivated young men for input into the NROTC program which is the other major source for regular officers. A series of personality test which would identify those most likely to be satisfied or dissatisfied in a military environment could be developed. This would be a very sensitive screening device,

but is offered for an area warranting future study. Perhaps a pilot program could be established on a limited basis, although it would take years to analyze the results. This is an area where Pacific Telephone has a tremendous advantage in that they are much more flexible in their selection criteria.

Retention rates for officers commissioned under the various source programs for reserve officers is very poor. In order to gain a regular commission these officers must initiate applications and then be selected by an augmentation board. A system could be implemented whereby those officers clearly desired in the career force could be identified and offered a regular commission approximately one year before the expiration of obligated service. Many of those who are seriously considering a career, but not strongly enough to initiate the paperwork, might be favorably influenced. It would certainly appeal to an officer's ego and show that the navy is officially interested in retaining his services.

There are areas for improvement in management policies at the individual command level which could go a long way toward improving retention. Naval personnel while at sea spend long hours at work and many days without the comforts of shore. The hard work and long hours are expected as a necessary part of the mission of the Navy and generally completed with pride. However, every effort should be made while in port to afford personnel a normal forty hour work week. Leave periods

should not be arbitrarily restricted unless it would be detrimental to accomplishment of the mission. Every effort should be made at the command level to provide personnel ashore maximum time with their families when it does not generally affect fleet readiness.

There are many personnel who would make a career of the navy for smaller tangible rewards than they are now receiving, be it for security, sense of patriotism, adventure, or a host of other reasons. However, there are also those who would not voluntarily remain regardless of the benefits offered. In order to attract a desired number of those between the two extremes, sufficient remuneration is going to have to be offered eventually if an increased number of personnel are to be retained voluntarily. Even if wages were equal to comparable civilian occupations, if they do not produce the necessary quantity, then they are inadequate if we are to give any credence to the economic law of supply and demand.

If retention is to be improved within current appropriations, the Navy must give the maximum publicity to the advantages of the navy career and every effort must be made at all levels of command to provide whatever intangible benefits are available with due regard for legal constraints and operational readiness.

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APPENDIX A

THE RADICAL APPROACH

Many studies have been conducted on the problem of retention in the Armed Services emphasizing either the importance of more pay, better living conditions, more benefits, better security or other topics similar to these with the intention of making a career in the Armed Services more attractive. What would happen if we were able to completely reorganize the Armed Services with the express purpose of making a military career as attractive as possible and still maintain the strength and ability to carry out the basic mission. With this in mind, we have proposed what we think could be an area of study for further research papers and we have called it The Radical Approach. An outline of this approach together with a brief discussion of each proposal and costs follows:

(a) The Recommendation.

- (1) Abolish the entire military pay structure as is presently exists.
- (2) Abolish MEDICARE for Service members.
- (3) Abolish all military commissaries.
- (4) Abolish all medical facilities operated by the service in the continental United States except for Training Commands.
- (5) Abolish the leave (vacation) program used in the service.
- (6) Abolish the military retirement program.
- (7) Abolish present promotion criteria as practiced in the service.

(b) Substitute for the above as follows:

(1) Provide a new pay structure by matching job skill levels with Civil Service rates as a guide modified by adding increments for:

- a. Constant availability for 24-hour call.
- b. Inability and impracticality for the service member to resign or quit on short notice.
- c. Subjection of the service member to noncivil disciplinary sanctions.
- d. Extended absences from family (over a minimum).
- e. Hazardous and isolated duty.
- f. The requirement to lay down one's life if necessary.

(2) Provide complete family medical coverage under a civilian operated health plan such as Blue Cross.

(3) Provide a selective-competitive type of promotion process and do away with "time in grade" and "linearity" methods.

(4) Set up a vacation plan identical to Civil Service with added authority to accumulate unused leave days due to military exigency.

(5) Provide retirement at the same rate as Civil Service (no more 20-year retirements).

(6) As is being presently done, withhold reasonable sums when the service member occupies government quarters.

(7) Provide a mechanism to bring people into the Service at nearly any grade level if qualified.

Discussion of the Advantages of the Approach.

Initially, for the first time in relatively recent history, the comparability issue will no longer be cluttered by foggy ideas of service benefits which totally destroy adequate costing of "tradeoffs" with alternative considerations. Service members and their dependents could afford living standards comparable to civilians of similar intelligence, talent, and ability. They would buy their necessities and luxuries from the same outlets as their civilian counterparts. This would make retailers in service oriented communities very happy indeed. Dependents would use civilian medical facilities just as their counterpart neighbors. When considering the question "Stay or get out/" the decision would fall only to the question of which atmosphere would he and his family be most happy living in. While there would be longer and more frequent separations from family in the service, there would also be a little more money coming in than as a civilian. Reenlistment consideration will be set on a solid base for adequately weighing the prospects of "competing" for a career in the Service.

Promotion would be merited on a competitive basis by and large, with no built-in guarantees of succeeding to superior levels of responsibility. Very likely there would be waiting lists of persons trying to get in and selectivity would be possible up and down the line. Further, one would never know when an open billet might be filled by direct commissioning

or awardance of rate from civilian life. Possibly the whole trend in the Service today would be reversed, and there would be no question of input quality to graduate schools.

The net result would be a tendency toward higher caliber individuals in billets all the way up the line. Morale would automatically be less of a problem and professional competence a source of satisfaction with promotion as its reward.

Relevant Costs.

Now for the third important question. What would be costs of this radical change? Quite obviously the military pay bill (which would now be combined with the annual Civil Service Bill), would be considerably higher. Immediate and untested reaction would undoubtedly amount to a rowing "pshaw!" However, if the problem is to be addressed at all, it can be addressed only clinically with the very tools now being refined in DOD. Costs would have to be assigned to all the variables. We can do this by first asking the "right" questions, namely:

What is the present cost for military personnel?

How much does it cost to vacate an operational billet when a man is sent to school for special training?

What is the dollar cost of the schooling itself?

What is the dollar cost (at present value) of training lost over the years when a trained man resigns or fails to reenlist?

What is the added dollar cost (at present value) of training additional personnel and vacating additional billets because of resignations, etc. ?

What is the dollar value of loss in efficiency (achieved less the "best") in military operations due to lack of adequate training and experience?

What is the dollar cost of service incurred training given to subsequent resignees which is not later put to material use in the expansion of the GNP?

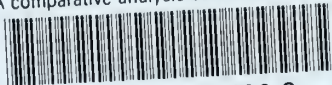
What would be the dollar saving of reduced OCS and ROTC programs?

What would be the dollar value of increased morale under the proposed system?

Once all costs are produced in terms of present value they could be compared on a balance sheet - the current structure against one oriented along Civil Service lines as indicated. Then and only then can feasibility in the "status" approach be satisfactorily determined. No amount of political "jabber" in the Congressional Record can be substituted for this type of analysis if adequate consideration is to be given to any material change in the military structure. In all the research data reviewed - the reports, bulletins, studies, proposals, long winded hearings, and political "wind," nothing has been produced or offered that shows promise of turning the tide of the "retention problem"; if it exists. Economic inducement alone may never reach the heart of the problem - yet this is precisely the core content of all effort thus far.

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A comparative analysis between retention



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